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CHAIRMAN OF THE BOARD AND PRESIDENT OF INSURANCE
AGENCY INDICTED BY U.S. FOR \$20 MILLION FRAUD; ACCUSED
OF USING FUNDS FOR YACHTS AND NIGHTCLUB SPREES

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, PASQUALE D'AMURO, the Assistant Director in Charge of the New York field Office of the FBI, and WILLIAM E. KEZER, the Postal Inspector in Charge of the New York Division of the United States Postal Inspection Service, announced today the unsealing in Manhattan federal court of a 32-count Indictment charging JUDAH FEINERMAN, the Chairman of the Board and owner of C.S.I.R. Enterprises, Inc. ("CSIR"), an insurance brokerage agency in Manhattan, and FRANK P. DEPRISCO, the President of CSIR, in connection with a massive scheme to obtain \$20 million in insurance premiums and fees by fraud.

The Indictment charges FEINERMAN and DEPRISCO with conspiracy, wire fraud and mail fraud, and also charges DEPRISCO with witness tampering and obstruction of justice.

According to the Indictment, between 1998 and February 2003, the defendants and their co-conspirators offered to place insurance policies for various CSIR clients, collected millions of dollars in premiums and fees to pay for that insurance, and then never placed the insurance. The Indictment also charges that DEPRISCO, FEINERMAN and others placed insurance for CSIR clients, then either cancelled that insurance or replaced it with lesser coverage, but retained the premiums collected or diverted those funds to other purposes.

For example, the Indictment charges that in July 1998, DEPRISCO and FEINERMAN billed R.D. Management ("R.D."), a real estate management firm located in Manhattan, \$1.9 million for a three-year insurance policy issued by Zurich Insurance Co. ("Zurich"). In early 1999, in order to avoid paying the remaining installments on that policy, the defendants directed an employee at CSIR to cancel the Zurich policy without informing R.D., and to replace it with a less expensive policy from another insurance company. According to the Indictment, the defendants then submitted fake invoices charging R.D. millions of dollars through 2002 for the Zurich policy as well as for other insurance that was cancelled or never placed.

The Indictment further charges that during 2002, DEPRISCO and FEINERMAN collected more than \$10 million from 14 different commercial trucking companies located throughout the United States to pay for insurance policies that the defendants claimed CSIR had placed through Lloyds of London. It was also

charged that at DEPRISCO's direction, employees of CSIR sent out fake insurance binders to prove that the insurance existed, and misrepresented that certain investor groups affiliated with Lloyds of London were underwriting the insurance. According to the Indictment, this insurance did not exist, and CSIR had no authority to issue the policies through Lloyds of London.

The Indictment also charges that after DEPRISCO and FEINERMAN admitted to their clients in September 2002 that the Lloyds of London insurance did not exist, they continued to collect premiums for other non-existent insurance from other victims. The Indictment alleges that from October 2002 through February 2003, DEPRISCO and FEINERMAN collected more than \$1.3 million from Bennett International, a trucking company located in Georgia, to pay for insurance that was never issued.

In addition, according to the Indictment, DEPRISCO and FEINERMAN collected more than \$800,000 from Algin Management, a property management firm located in Forest Hills, New York, for insurance, most of which was cancelled or never placed because the defendants diverted those funds to pay CSIR's lawyers.

In all, the Indictment alleges that the defendants and their co-conspirators obtained approximately \$20 million through the scheme, and that 18 companies and their insurance agents were defrauded.

The Indictment charges that the defendants diverted the proceeds from this scheme to FEINERMAN's personal bank account; to the defendants' family members, personal associates, and co-

conspirators; and to DEPRISCO in the form of cash. In addition, it was charged, the defendants spent millions of dollars in proceeds from the scheme, on, among other things: two yachts; DEPRISCO's residence; FEINERMAN's wife's home in Boca Raton, Florida; restaurant and night club bills sometimes exceeding \$10,000 per night; gambling at casinos in Las Vegas; personal bodyguards; limousine services; and numerous other personal expenses of the defendants.

The Indictment further charges that when DEPRISCO and one of his co-conspirators ("CC #1"), who was an employee of CSIR, determined in September 2002 that CSIR could no longer hide the fact that the Lloyds of London insurance it had been selling did not exist, DEPRISCO paid CC #1 to take responsibility for the scheme, and agreed to take care of CC #1's wife should CC #1 go to prison. According to the Indictment, at DEPRISCO's direction, CC #1 prepared a handwritten letter at that time in which he took sole responsibility for the scheme. The Indictment further charges that over the next several months, after DEPRISCO learned that the FBI and a grand jury in Manhattan were investigating the scheme, DEPRISCO directed CC #1 to tell the FBI that DEPRISCO and FEINERMAN were not involved in the scheme, and that CC #1 had paid bribes to two insurance brokers in order to facilitate the scheme. According to the Indictment, in December 2002, pursuant to his arrangement with DEPRISCO, CC #1 told this story, which was false, to federal investigators during a meeting at the United States Attorney's Office in Manhattan.

The Indictment also seeks forfeiture of all property derived from proceeds of the alleged scheme, including

approximately \$20 million.

Both DEPRISCO and FEINERMAN surrendered to the FBI today, and are scheduled to be presented today on these charges before United States Magistrate Judge DOUGLAS F. EATON.

If convicted, DEPRISCO and FEINERMAN face maximum penalties of up to 20 years in prison for each wire and mail fraud charge, and up to 5 years for the conspiracy charge. In addition, DEPRISCO faces a maximum penalty of 10 years in prison for the witness tampering charge, and 20 years in prison for the obstruction of justice charge. Both defendants also face fines of more than \$1 million.

DEPRISCO, 40, lives in Brooklyn, New York.

FEINERMAN, 78, lives in Far Rockaway, New York.

Mr. KELLEY praised the outstanding investigative efforts of both the Federal Bureau of Investigation and the United States Postal Inspection Service, and noted that the investigation is ongoing.

Assistant United States Attorney JONATHAN R. STREETER in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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